

103D CONGRESS  
1ST SESSION

# H. R. 2605

To amend the National Housing Act to provide that a person purchasing a home with a mortgage insured under the FHA single family mortgage insurance program may, under such program, borrow amounts for the downpayment from family members.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 1, 1993

Mr. ORTON (for himself, Mr. FROST, Mr. GILLMOR, Mr. PETERSON of Minnesota, Mr. SOLOMON, and Mr. WALSH) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

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## A BILL

To amend the National Housing Act to provide that a person purchasing a home with a mortgage insured under the FHA single family mortgage insurance program may, under such program, borrow amounts for the downpayment from family members.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “FHA Parental Loan  
5       Act”.

1 **SEC. 2. AUTHORITY TO USE AMOUNTS BORROWED FROM**  
2 **FAMILY MEMBERS FOR DOWNPAYMENTS.**

3 (a) IN GENERAL.—Section 203(b)(9) of the National  
4 Housing Act (12 U.S.C. 1709(b)(9)) is amended by insert-  
5 ing before the period at the end the following: “: *Provided*  
6 *further*, That for purposes of this paragraph, the Secretary  
7 shall consider as cash or its equivalent any amounts bor-  
8 rowed from a family member (as such term is defined in  
9 section 201), subject only to the requirements that, in any  
10 case in which the repayment of such borrowed amounts  
11 is secured by a lien against the property, such lien shall  
12 be subordinate to the mortgage and the sum of the prin-  
13 cipal obligation of the mortgage and the obligation secured  
14 by such lien may not exceed 100 percent of the appraised  
15 value of the property plus any initial service charges, ap-  
16 praisal, inspection, and other fees in connection with the  
17 mortgage”.

18 (b) DEFINITION OF FAMILY MEMBER.—Section 201  
19 of the National Housing Act (12 U.S.C. 1707) is amended  
20 by adding at the end the following new subsections:

21 “(e) The term ‘family member’ means, with respect  
22 to a mortgagor under such section, a child, parent, or  
23 grandparent of the mortgagor (or the mortgagor’s  
24 spouse). In determining whether any of the relationships  
25 referred to in the preceding sentence exist, a legally adopt-  
26 ed son or daughter of an individual (and a child who is

1 a member of an individual's household, if placed with such  
2 individual by an authorized placement agency for legal  
3 adoption by such individual), and a foster child of an indi-  
4 vidual, shall be treated as a child of such individual by  
5 blood.

6 “(f) The term ‘child’ means, with respect to a mort-  
7 gagor under such section, a son, stepson, daughter, or  
8 stepdaughter of such mortgagor.”.

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